

**TURN COMMUNITY SERVICES, INC.**

**FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITORS' REPORT**

**Years Ended June 30, 2005 and 2004**

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# CARVER HOVEY & FLOREK, LLC

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN L. CARVER, CPA  
KATHLEEN L. HOVEY, CPA  
BRENT R. FLOREK, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
TURN Community Services, Inc.  
Salt Lake City, Utah

We have audited the accompanying statements of financial position of TURN Community Services, Inc. (a non-profit organization) as of June 30, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TURN Community Services, Inc. as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2005 on our consideration of TURN Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Carver Hovey & Florek, LLC*

September 16, 2005

**TURN COMMUNITY SERVICE INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 149,568	\$ 7,130
Assets limited as to use (notes 1 and 2)	14,209	15,931
Accounts receivable	748,584	814,945
Marketable securities	96,930	70,823
Prepaid expenses and other assets	<u>70,388</u>	<u>38,413</u>
Total current assets	1,079,679	947,242
Assets limited as to use (notes 1 and 2)	25,000	25,974
Property and equipment, net (note 3)	2,898,829	2,741,801
Deposits	17,883	14,205
Intangible assets, less accumulated amortization (note 4)	<u>24,129</u>	<u>9,003</u>
	<u><u>\$ 4,045,520</u></u>	<u><u>\$ 3,738,225</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Short-term debt	\$ -	\$ 57,351
Current maturities of long-term debt (note 8)	97,016	98,219
Accounts payable	64,354	79,888
Accrued interest	6,408	6,408
Accrued expenses	<u>576,650</u>	<u>534,194</u>
Total current liabilities	744,428	776,060
Long-term debt, less current maturities (note 8)	2,207,097	2,087,173
Net assets - unrestricted	<u>1,093,995</u>	<u>874,992</u>
	<u><u>\$ 4,045,520</u></u>	<u><u>\$ 3,738,225</u></u>

See accompanying note and accountants' report

**TURN COMMUNITY SERVICES INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>UNRESTRICTED NET ASSETS</b>		
Public support and revenue:		
Contract revenue	\$ 9,713,837	\$ 9,587,947
Room and board	334,461	338,809
Private revenue	168,590	254,625
Public support	312,694	109,770
Client activities	35,104	39,254
Other income	20,255	10,351
United Way	86,010	77,358
Interest income	8,286	7,857
Gain (loss) on sale of assets	(6,152)	4,375
Total public support and revenue	<u>10,673,085</u>	<u>10,430,346</u>
<b>EXPENSES</b>		
Residential programs	6,510,413	5,588,906
Juvenile justice programs	246,777	139,160
Diversional programs	236,268	242,445
Hourly services	1,475,898	1,440,872
Day training	1,684,978	1,389,549
Outside training and other	165,949	114,716
Management and general	133,799	1,344,387
Total expenses	<u>10,454,082</u>	<u>10,260,035</u>
<b>INCREASE IN NET ASSETS</b>	219,003	170,311
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>874,992</u>	<u>704,681</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 1,093,995</u></u>	<u><u>\$ 874,992</u></u>

See accompanying notes and accountants' report

**TURN COMMUNITY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2005**

	<b>Residential Programs</b>	<b>Juvenile Justice Programs</b>	<b>Diversion Programs</b>	<b>Hourly Services</b>
Salaries	\$ 4,528,316	\$ 165,525	\$ 127,596	\$ 1,014,584
Payroll taxes	397,820	14,650	8,873	89,810
Employee fringe benefits	476,353	17,542	20,027	107,540
Total salaries and benefits	5,402,489	197,717	156,496	1,211,934
Consultants/accounting	114,699	5,286	16,093	28,356
Office supplies	32,245	1,132	1,596	9,282
Food	31,514	4,700	5,711	-
Maintenance supplies	11,954	1,263	1,333	2,225
Program supplies	62,173	5,748	6,807	12,933
Rent	209,778	2,045	12,725	73,577
Utilities	45,865	2,274	6,728	5,436
Insurance	18,108	847	1,360	3,934
Repairs and maintenance	82,656	1,735	4,012	4,442
Depreciation	142,117	7,608	9,378	5,686
Other furniture and equipment	26,328	1,173	2,240	8,903
Auto expense	173,140	5,253	1,153	83,745
Telephone	32,209	1,349	2,765	12,674
License and permits	2,413	459	34	725
Other expense	30,740	1,086	1,319	9,905
Fundraising expense	-	-	-	-
Interest expense	91,985	7,102	6,518	2,141
Total expenses	\$ 6,510,413	\$ 246,777	\$ 236,268	\$ 1,475,898

See accompanying notes and accountants' report

**TURN COMMUNITY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2005**

	<u>Day Training</u>	<u>Outside Training and Other</u>	<u>Management and General</u>	<u>Company Total</u>
Salaries	\$ 1,031,608	\$ 10,203	\$ 84,390	\$ 6,962,222
Payroll taxes	91,316	28	6,920	609,417
Employee fringe benefits	109,338	1,954	8,439	741,193
Total salaries and benefits	1,232,262	12,185	99,749	8,312,832
Consultants/accounting	16,390	-	9,000	189,824
Office supplies	10,017	-	500	54,772
Food	-	8,349	-	50,274
Maintenance supplies	9,602	-	-	26,377
Program supplies	24,707	11,285	-	123,653
Rent	183,089	-	12,414	493,628
Utilities	25,601	-	-	85,904
Insurance	5,888	-	571	30,708
Repairs and maintenance	8,428	-	-	101,273
Depreciation	22,116	-	-	186,905
Other furniture and equipment	15,104	115,740	-	169,488
Auto expense	93,059	704	2,818	359,872
Telephone	11,655	-	4,749	65,401
License and permits	1,195	-	-	4,826
Other expense	10,764	1,244	3,998	59,056
Fundraising expense	-	16,442	-	16,442
Interest expense	15,101	-	-	122,847
Total expenses	<u>\$ 1,684,978</u>	<u>\$ 165,949</u>	<u>\$ 133,799</u>	<u>\$ 10,454,082</u>

See accompanying notes and accountants' report

**TURN COMMUNITY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2004**

	<b>Residential Programs</b>	<b>Juvenile Justice Programs</b>	<b>Diversion Programs</b>	<b>Hourly Services</b>
Salaries	\$ 4,098,365	\$ 93,052	\$ 145,219	\$ 1,006,384
Payroll taxes	373,605	8,481	13,236	91,729
Employee fringe benefits	387,016	8,786	13,711	95,022
Total salaries and benefits	4,858,986	110,319	172,166	1,193,135
Consultants/accounting	31,880	3,567	14,170	64,246
Office supplies	7,144	64	393	3,373
Food	30,046	2,634	8,949	1,764
Maintenance supplies	7,890	385	961	1,214
Program supplies	16,426	2,260	3,756	4,043
Rent	155,932	-	12,743	61,886
Utilities	40,845	1,750	6,509	4,867
Insurance	26,103	726	1,695	4,173
Repairs and maintenance	45,093	1,172	5,680	4,893
Depreciation	85,739	6,883	6,604	11,360
Other furniture and equipment	11,383	740	249	312
Auto expense	176,388	639	397	74,593
Telephone	14,681	514	2,108	7,898
License and permits	4,042	212	-	679
Other expense	3,212	386	11	2,436
Fundraising expense	-	-	-	-
Interest expense	73,116	6,909	6,054	-
Total expenses	<u>\$ 5,588,906</u>	<u>\$ 139,160</u>	<u>\$ 242,445</u>	<u>\$ 1,440,872</u>

See accompanying notes and accountants' report



**TURN COMMUNITY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Ended June 30, 2004**

	<b>Day Training</b>	<b>Outside Training and Other</b>	<b>Management and General</b>	<b>Company Total</b>
Salaries	\$ 870,889	\$ 35,016	\$ 753,824	\$ 7,002,749
Payroll taxes	79,328	3,192	68,709	638,280
Employee fringe benefits	82,175	3,306	71,175	661,191
Total salaries and benefits	1,032,392	41,514	893,708	8,302,220
Consultants/acct.	207	9,205	71,610	194,885
Office supplies	2,733	209	34,969	48,885
Food	11	7,700	-	51,104
Maintenance supplies	7,331	81	5,453	23,315
Program supplies	13,477	869	49,612	90,443
Rent	172,810	-	97,026	500,397
Utilities	24,408	-	9,242	87,621
Insurance	6,934	60	4,533	44,224
Repairs & maintenance	9,066	217	8,387	74,508
Depreciation	31,582	-	40,854	183,022
Other furniture & equipment	6,331	-	15,937	34,952
Auto expense	58,824	1,984	28,641	341,466
Telephone	6,539	-	29,070	60,810
License & permits	1,506	-	2,781	9,220
Other expense	868	1,087	31,837	39,837
Fundraising expense	-	51,790	-	51,790
Interest expense	14,530	-	20,727	121,336
Total Expenses	<u>\$ 1,389,549</u>	<u>\$ 114,716</u>	<u>\$ 1,344,387</u>	<u>\$ 10,260,035</u>

See accompanying notes and accountants' report

**TURN COMMUNITY SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 219,003	\$ 170,311
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contributions of capital assets	-	(40,878)
Depreciation and amortization	188,494	184,146
Loss on sale of assets	-	-
Unrealized gain on investments	(6,107)	(6,574)
Changes in operating assets and liabilities:		
Accounts receivable	66,361	(32,777)
Prepaid expense, deposits and other assets	(35,653)	20,682
Accounts payable	(15,534)	28,707
Accrued liabilities	42,456	(50,834)
Deferred income	-	(1,391)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>459,020</u>	<u>271,392</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(343,932)	(483,580)
Purchase of investments available for sale	(20,000)	(12,000)
Purchase of intangible assets	(16,716)	-
Transfer to assets limited as to use	<u>2,696</u>	<u>(1,478)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(377,952)</u>	<u>(497,058)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments from short-term debt	(57,351)	(90,614)
Proceeds from borrowing on long-term debt	210,500	404,085
Principal payments of long-term debt	<u>(91,779)</u>	<u>(91,236)</u>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>61,370</u>	<u>222,235</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	142,438	(3,431)
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>7,130</u>	<u>10,562</u>
<b>CASH &amp; CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 149,568</u></u>	<u><u>\$ 7,130</u></u>

See accompanying notes and accountants' report

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2005 and 2004**

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

TURN Community Services, Inc. (the Organization) is a non-profit corporation organized under the Utah Nonprofit Corporation and Cooperative Association Act. The principal objective and purpose for which the company was formed is to promote the general welfare of people with disabilities of all ages in the State of Utah.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, investments are reported at fair value, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

**Basis of Presentation**

In accordance with SFAS No. 117, Financial Statements of Not-for-Profit Organizations, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Use of Estimates**

The financial statements include estimates and assumptions made by management that affect the carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

**Property and Equipment**

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (3 to 30 years).

**Restricted and Unrestricted Revenue**

Contributions received that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2005 and 2004**

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Unrealized gains or losses on investments are reflected in the statements of activities.

**Concentration of Revenue Sources**

Government contracts represent approximately 92 percent of the Organization's source of revenues for each of the years ended June 30, 2005 and 2004.

**Income Taxes**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

**Cash and Cash Equivalents**

Cash and cash equivalents includes all unrestricted monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**Assets Limited as to Use**

Assets deposited with a trustee under terms of the note indenture (note 8) are classified as assets limited as to use. Amounts required to meet current liabilities have been included in cash and cash equivalents.

**Unamortized Bond Costs**

Costs incurred in connection with the issuance of the Clearfield City, UT/UARF, Series 1997 Tax Exempt Bonds are amortized over the term of the bonds using the effective-interest method.

**Reclassifications**

For the year ended June 30, 2005, management and general expenses have been redefined according to government definitions of overhead in order to more accurately report management and general expenses. Prior year management and general expenses have not been reclassified.

Also, for the year ended June 30, 2005, Management has renamed the department previously called "Youth Programs" to "Juvenile Justice".

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2005 and 2004**

**2. ASSETS LIMITED AS TO USE**

The assets limited as to use are composed of the following as of June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Cash in Money Market accounts, designated for the bond sinking fund	\$ 14,209	\$ 15,931
Debt Service Reserve fund	\$ 25,000	\$ 25,000
Cash in Money Market accounts, designated for new construction	-	974
	<u>\$ 25,000</u>	<u>\$ 25,974</u>

**3. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Land	\$ 573,962	\$ 546,962
Buildings	2,154,592	2,047,204
Building improvements	580,170	473,330
Furniture & equipment	391,261	317,585
Vehicles	<u>374,535</u>	<u>393,040</u>
	4,074,520	3,778,121
Accumulated depreciation	<u>(1,175,691)</u>	<u>(1,036,320)</u>
	<u>\$ 2,898,829</u>	<u>\$ 2,741,801</u>

**4. INTANGIBLE ASSETS**

Intangible assets at June 30, 2004 and 2003 consisted of the following:

	<u>2005</u>	<u>2004</u>
Closing costs	\$ 16,719	\$ -
Bond issuance costs	16,880	16,880
Accumulated amortization	<u>(9,470)</u>	<u>(7,877)</u>
	<u>\$ 24,129</u>	<u>\$ 9,003</u>

The bond issuance costs are amortized over 15 years.

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2005 and 2004**

**5. SUPPLEMENTAL CASH FLOW INFORMATION**

Cash paid for interest totaled \$125,627 and \$122,999, in 2005 and 2004, respectively.

**6. MARKETABLE SECURITIES**

Marketable securities are comprised of available-for-sale investments in mutual funds with holdings in equity and debt securities. Gain and losses, including those resulting from unrealized changes in fair value, are reported under public support and revenue in the accompanying statement of activities. The cost, fair value, and unrealized holding gains and losses on marketable securities at June 30, 2004 and 2003 are as follows:

	<u>Cost</u>	<u>Unrealized Holding Gain (Loss)</u>	<u>Fair Value</u>
June 30, 2005	\$ 100,046	\$ (3,116)	\$ 96,930
June 30, 2004	\$ 70,286	\$ 537	\$ 70,823

**7. RETIREMENT PLANS**

The Organization established a 401(k) retirement plan and a deferred compensation plan on July 1, 1997 for all eligible employees with six months (or over) of service. Eligible employees may elect to contribute up to 20 percent of their annual compensation to the plan. The Organization may match 50 percent of the employee's contributions up to 6 percent of their gross pay. For the fiscal years 2005 and 2004, the Organization contributed \$53,313 and \$52,804, respectively, to the 401(k) plan. The Organization contributed \$25,488 to the deferred compensation plan in 2005.

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2005 and 2004**

**8. NOTES AND MORTGAGES PAYABLE**

Long-term debt consisted of the following at June 30, 2005 and 2004:

Lending Institution	Collateral	Interest Rate	Monthly Payment	Due Date	2005	2004
Washington Mutual	Real estate	7.38%	518	09/2019	\$ -	\$ 56,910
Far West Bank	Real estate	7.00%	2,261	03/2012	146,076	162,001
Farr West Bank	Vehicles	5.75%	273	06/2007	6,394	-
Colorado Bankers Mortgage	Real estate	8.38%	1,451	07/2011	-	93,563
Colorado Bankers Mortgage	Real estate	7.380%	1,277	12/2013	-	115,387
Bank of America	Real estate	7.25%	1,056	06/2031	-	150,613
Bank of America	Real estate	7.25%	1,115	06/2031	-	157,687
Bank of America	Real estate	7.50%	881	06/2031	-	122,237
Bank of America	Real estate	7.25%	839	06/2031	-	133,395
Dept. of Community & Econ Dev.	Real estate	5.50%	681	06/2031	110,447	113,951
Clearfield City/UARF Bonds	Real est & A/R	7.45%	1,202	02/2012	185,000	200,000
U.S. Department of Agriculture	Vehicles	4.75%	351	05/2009	15,165	26,183
U.S. Department of Agriculture	Vehicles	5.00%	404	08/2010	22,607	18,572
U.S. Department of Agriculture	Real estate	5.00%	2,166	07/2024	320,400	329,796
U.S. Department of Agriculture	Real estate	5.13%	464	11/2028	77,314	78,897
Dept. of Community & Econ Dev.	Real estate	3.00%	126	03/2033	-	29,087
Morgan Stanley	Real estate	5.00%	879	10/2034	160,549	162,242
Wells Fargo	Real estate	7.88%	600	11/2034	-	82,076
Oleane Walker Housing Loan Fund	Real estate	3.00%	235	04/2034	53,625	55,088
Oleane Walker Housing Loan Fund	Real estate	3.00%	215	04/2034	50,391	51,000
Oleane Walker Housing Loan Fund	Real estate	0.00%	140	09/2033	114,637	46,707
Irwin Mortgage	Real estate	6.38%	566	09/2035	90,040	-
Irwin Mortgage	Real estate	6.38%	518	09/2035	82,324	-
Irwin Mortgage	Real estate	6.38%	800	09/2035	127,282	-
Irwin Mortgage	Real estate	6.38%	1,003	09/2035	159,487	-
Irwin Mortgage	Real estate	6.38%	809	09/2035	128,770	-
Irwin Mortgage	Real estate	6.38%	729	09/2035	116,017	-
Irwin Mortgage	Real estate	6.38%	776	09/2035	123,511	-
Irwin Mortgage	Real estate	6.38%	583	09/2035	92,745	-
Washington Assc of Retarded Citizens	Real estate	5.00%	926	09/2035	111,732	-
Washington Assc of Retarded Citizens	Real estate	0.00%	800	09/2035	9,600	-
TOTAL					2,306,118	2,187,396
Less current maturities					97,016	98,219
Long-term debt, less current maturities					<u>\$ 2,209,102</u>	<u>\$ 2,089,177</u>

**TURN COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005 and 2004**

**9. COMMITMENTS**

**Operating Leases**

Total annual rent expense from operating leases was \$565,359 and \$575,342 for the years ended June 30, 2005 and 2004, respectively.

Operating Lease commitments for the next five years are as follows:

<u>Year ended</u> <u>June 30</u>	<u>Amount</u>
2006	\$ 275,409
2007	161,326
2008	177,093
2009	88,716
2010	89,700
	<u>\$ 792,244</u>



# CHF

## CARVER HOVEY & FLOREK, LLC

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN L. CARVER, CPA  
KATHLEEN L. HOVEY, CPA  
BRENT R. FLOREK, CPA

### REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of  
TURN Community Services, Inc.

We have audited the financial statements of TURN Community Services, Inc. (TURN) (a non-profit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether TURN's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered TURN's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management of TURN Community Services, Inc. and state and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Carver Hovey & Florek, LLC*

September 16, 2005